



South Dakota

Legislative Research Council

MINUTES

Joint Interim

Committee on Appropriations

Representative Justin Cronin, Chair
Senator Deb Peters, Vice Chair

Third Meeting
2015 Interim
July 21, 2015

Room 412
State Capitol Building
Pierre, South Dakota

The third meeting of the Joint Interim Committee on Appropriations for 2015 was called to order by the Chair, **Representative Justin Cronin**, at 9:00 a.m. (CDT) in Room 412 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representative Justin Cronin, Chair; Senator Deb Peters, Vice Chair; Representatives David Anderson, Dan Dryden, Jean Hunhoff, Jeffrey Partridge, Ray Ring (via telephone), and Fred Romkema; Senators Teri Haverly, Phyllis Heineman, David Omdahl (via telephone), Scott Parsley (via telephone), Larry Tidemann, and Jim White. Excused were Representatives Shawn Bordeaux and Alex Jensen; and Senators Angie Buhl-O'Donnell and Bill Van Gerpen.

Staff members present included Annie Mehlhaff, Chief Fiscal Analyst; Aaron Olson, Principal Fiscal Analyst; Denice Houlette, Senior Fiscal Analyst; Jason Simmons, Senior Fiscal Analyst; Stephanie Gruba, Fiscal Analyst; and Cindy Tryon, Senior Secretary.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.sd.gov>.

Approval of Minutes

A MOTION WAS MADE BY SENATOR HAVERLY, SECONDED BY SENATOR HEINEMAN, TO APPROVE THE MINUTES OF THE MARCH 30, 2015, MEETING OF THE INTERIM JOINT COMMITTEE ON APPROPRIATIONS. The motion prevailed on a voice vote.

A MOTION WAS MADE BY REPRESENTATIVE PARTRIDGE, SECONDED BY REPRESENTATIVE DRYDEN, TO APPROVE THE MINUTES OF THE JUNE 10, 2015, MEETING OF THE INTERIM JOINT COMMITTEE ON APPROPRIATIONS. The motion prevailed on a voice vote.

FY15 Year-End Report

Mr. Jim Terwilliger, Economist, Bureau of Finance and Management, presented the year-end report on the budget for fiscal year 2015 (FY15) ([Document #1](#)). The areas where revenues were higher than estimated included: Contractor's Excise Tax; Insurance Company Tax; Licenses, Permits, and Fees;

Bank Franchise Tax; and Charges for Goods and Services. Areas where the revenue was less than estimated were: Net Transfers In; Severance Taxes; and Unclaimed Property Receipts. The total additional revenues over the estimate was \$10 million. There were approximately \$11.5 million in agency reversions. These two numbers added together means that a little over \$21.5 million will go into the budget reserve fund for FY15.

Mr. Stephen Kohler, Chief Budget Analyst, Bureau of Finance and Management, explained in more detail the reversions for FY15. The two departments that reverted the most dollars were the Department of Social Services (DSS) at \$5.1 million and the Department of Education at \$5 million.

Senator Phyllis Heineman asked if the reason for the DSS reversions is being investigated. Mr. Kohler said that BFM publishes metrics for DSS every month and DSS monitors these numbers on a daily basis. Some reasons for these reversions are that the amount of assistance distributed to the individuals using the services has decreased and that enrollment growth has been somewhat flat over the past few years.

Representative Jeffrey Partridge wondered about the \$5 million reversion from the Department of Education. Mr. Kohler said that some of that was due to reduced enrollments along with increased tax assessments. Mr. Terwilliger added that there was some carryover from FY14 that was included in the FY15 reversions.

Revenue Update

Prior to today's meeting, Mr. Terwilliger had e-mailed copies of the Bureau of Finance and Management's Revenue Forecast report to the members of the committee ([Document #2](#)). Mr. Terwilliger reported that BFM has updated their revenue estimate for FY16 to \$1,437,731,192 which is about \$4.6 million higher than the Legislative adopted FY16 estimate that was made in March.

Mr. Aaron Olson, Principal Fiscal Analyst, Legislative Research Council (LRC), spoke to the report that was sent to the committee members from LRC Director Jason Hancock on July 16 ([Document #3](#)). The LRC report projects general fund revenues for FY16 to be \$1,439,779,160 which is about \$6.7 million more than was adopted in March by the 2015 Legislature.

Neither estimate projects a shortfall in excess of two and on-half percent and as such, does not warrant any further action by the Joint Interim Committee on Appropriations.

Proration of Interest

Mr. Jason Dilges, Commissioner, Bureau of Finance and Management, presented the report on proration of investment income earned in FY15 ([Document #4](#)). In accordance with SDCL 4-5-30, the Commissioner of the Bureau of Finance and Management must present a report on the pooling of all interest bearing accounts belonging to the State of South Dakota to the Joint Interim Committee on Appropriations for their approval.

Commissioner Dilges explained that a non-participating fund designation means that the interest earned goes into the general fund. A participating fund designation means that it is a stand-alone fund that

retains its own interest and a system is used by which recommendations are made for the use of that interest. All of these funds are audited by Legislative Audit on an annual basis.

SENATOR PETERS MOVED, SECONDED BY REPRESENTATIVE DRYDEN, TO APPROVE AND CERTIFY THE RECOMMENDED INTEREST PRORATION DESIGNATIONS AS PARTICIPATING AND NONPARTICIPATING AS PRESENTED BY THE BUREAU OF FINANCE AND MANAGEMENT. The motion prevailed on a roll call vote with 14 voting AYE and 4 EXCUSED. Those voting AYE: Anderson, Dryden, Jean Hunhoff, Partridge, Ring, Romkema, Haverly, Phyllis Heineman, Omdahl, Parsley, Tidemann, White, Peters, Cronin. Those EXCUSED: Bordeaux, Alex Jensen, Buhl-O'Donnell, Van Gerpen.

Obligation Recovery Center

Representative Jeffrey Partridge and **Senator Teri Haverly** reported on the obligation recovery center advisory group which was established in HB1228 during the 2015 Legislative Session. The advisory group members are Senator Teri Haverly, Representative Jeffrey Partridge, Representative Peggy Gibson, and former-Representative Jim Hood. Debts are owed to the State of South Dakota and the purpose of the obligation recovery center is to collect those debts without growing government. This will be done through private collection companies. The group wants to insure that all South Dakotans are treated fairly and that their personal information is secure.

An RFI (request for information) was issued in order to find companies that are interested in collecting debts owed to the State. The responses were impressive and several companies have shown an interest. An RFP (request for proposal) has been advertised and companies have until August 3 to respond.

Budget Transfers

Mr. Monte Kramer, Finance Officer, Board of Regents, appeared before the committee to explain some of the recent budget transfers made by the Board of Regents (BOR). Most of the transfers are because of grant activity. The BOR includes excess spending authority when preparing their budget based on the assumption that the amount of grants received will grow. When the amount of grants received is less than planned, the excess authority must be cleaned up and that is done through budget transfers.

Captive Insurance Update

Mr. Tim Engel, Attorney, and Mr. Craig Ambach, Director of Risk Management, Bureau of Administration, updated the committee on the captive insurance program. The contract is completed for the initial actuary studies. The coverage documents/insurance policies have been written for both captives, and the Joint Powers Agreement has been written and filed. The coverage will go into effect on October 1, 2015.

Senator Scott Parsley asked if interim coverage had to be purchased to fill the gap between the current coverage and the captive coverage. Mr. Engel said that they did have to purchase some extensions.

Senator Jim White asked about the startup costs and **Representative David Anderson** requested the actuarial numbers. Mr. Ambach did not have that information at the time of the meeting but did send it to the committee soon after the meeting had adjourned [\(Document #5\)](#) [\(Document 5A\)](#).

Report on Storm Damage

Ms. Leah Svendsen, Bureau of Administration, reported on damage to the Capitol complex from the severe storm that went through the Pierre area on June 22. Approximately 500 square feet of copper was torn off the Capitol Annex and the estimate to repair that is \$45,000. Some of the other damage that was done to buildings found on the Capitol campus was the Kneip Building with \$3,710 in damage, the Mickelson Building with \$255 in damage, and the Kebach Building with \$1,887 in damage. The estimated total amount for all repairs needed because of that storm is \$57,000. There were also many trees that were lost and they have not yet received an estimate on the cost to replace those trees.

Other Business

Ms. Stephanie Gruba, Fiscal Analyst, LRC, presented plans for the West River Tour that the committee will be attending in October. The committee will meet with the Executive Board on the evening of October 7 and then have a meeting and tour several state facilities/sites on October 8-9. Ms. Gruba listed several sites being considered for the tour and asked for committee input on what sites they would like to visit. More details will be sent to the committee members once the plans are finalized.

Adjourn

SENATOR PETERS MOVED, SECONDED BY REPRESENTATIVE ROMKEMA, TO ADJOURN. The motion prevailed unanimously on a voice vote.

The Committee adjourned at 10:40 a.m.

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